

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AGR-05 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 (ISO) W

----- 082933

R 271140Z FEB 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 1112

INFO AMEMBASSY MANILA

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

CONFIDENTIAL BANGKOK 3327

E.O. 11652: GDS

TAGS: EAGR, EFIN, RP, TW, TH, KS

SUBJECT: COTTON CONTRACTS

1. SUMMARY: EMBASSY HAS LEARNED TWO THAI FIRMS DELINQUENT ON PREVIOUS COTTON CONTRACTS HAVE BEEN BUYING U.S. COTTON AT CURRENT PRICES. WE HAVE URGED MINISTRY OF COMMERCE TO INITIATE IMPORT LICENSING SYSTEM FOR COTTON BUT OFFICIALS RELUCTANT TAKE ANY ACTION DURING POLITICAL TRANSITION PERIOD. FURTHER, THAI COTTON IMPORTERS ARE BRINGING TO ATTENTION OF EMBASSY PROBLEMS CREATED BY U.S. COTTON SHIPPERS.

2. TEXTILE COMPANY OFFICIALS AND COTTON SHIPPERS REPRESENTATIVES HAVE INFORMED AGRICULTURAL ATTACHE SOME THAI COMPANIES DELINQUENT IN OPENING LETTERS OF CREDIT UNDER EXISTING CONTRACTS HAVE BEEN SUCCESSFULLY BUYING U.S. COTTON. TWO COMPANIES K. COTTON AND GAUZE AND THAI DURABLE HAVE PURCHASED 10,000 BALES OF U.S. COTTON AT ESTIMATED 44 CENTS PER POUND CIF.

3. INFORMANTS CONTEND ONE OR MORE U.S. COTTON SHIPPERS HAVE SET UP DUMMY COMPANIES SELL COTTON TO THAILAND. THE CONFIDENTIAL

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NEW U.S. COMPANIES ARE REPRESENTED BY MR. HERBERT CHANG,

WHO IS ALSO THE AGENT FOR NUMBER U.S. COTTON SHIPPERS.
MR. CHANG IS ALSO ON BOARD OF DIRECTORS THAI INDUSTRIES
COTTON MILL AND WE ANTICIPATE THIS MILL WILL ALSO BEGIN
PURCHASE LOWER PRICED COTTON.

4. EFFORTS OF EMBASSY AND MINISTRY OF COMMERCE ARE UNDER-CUT IF U.S. COTTON SHIPPERS ARE MORE INTERESTED IN MOVING COTTON THAN IN SETTLING PRESENT DELINQUENCY PROBLEMS. UNLESS COTTON SHIPPERS ASSOCIATION CAN CONTROL THEIR MEMBERS ANY VESTIGE LEVERAGE INDUCE DELINQUENT MILLS HONOR OUTSTANDING L/CS WILL BE VITIATED.

5. WE HAVE ASKED SUTHEE, DIRECTOR GENERAL, FOREIGN TRADE DEPARTMENT, MINISTRY OF COMMERCE, CONSIDER A TEMPORARY IMPORT LICENSING SYSTEM FOR COTTON. WE PROPOSED THAT THAI FIRMS SHOULD BE REQUIRED TO IMPORT AGAINST EXISTING CONTRACTS BEFORE THEY RECEIVE AN IMPORT LICENSE FOR COTTON PURCHASED UNDER NEW CONTRACTS. STILL ACTING MINISTER OF COMMERCE VICHARN PREFERENCES NOT TO MAKE THIS TYPE OF DRASTIC POLICY CHANGE FROM COMPLETELY FREE IMPORT SYSTEM AND SUTHEE SUGGESTS EMBASSY DISCUSS PROBLEM WITH NEW MINISTER DAMRONG WHEN HE ASSUMES HIS RESPONSIBILITIES.

6. SEVERAL OTHER ITEMS OF INTEREST THAT DIRECTLY AFFECT COTTON IMPORTS HAVE BEEN CALLED TO OUR ATTENTION.

A) THE THAI SYNTHETIC TEXTILE INDUSTRY CO., LTD. HAS REFUSED TO OPEN AN L/C FOR 3,000 BALES OF U.S. RAW COTTON CONTRACTED WITH TOYOMENKA ALLEGING TOYOMENKA FAILED OPEN L/CS FOR YARN AND FABRICS UNDER CONTRACTS SIGNED WITH TSI.

B) SRI SUK SAWAD CO., LTD. OPENED L/CS IN FAVOR OF PLAINS COTTON UNDER CONTRACTS NUMBERED 476 AND 477. TERMS OF CONTRACT WERE FOR SHIPMENT IN FEBRUARY-APRIL 1974 OF 4,500 BALES PRICED AT 44 AND 58 CENTS PER POUND. AT REQUEST OF PLAINS COTTON THE L/CS WERE EXTENDED THROUGH MAY 1974, BUT PLAINS COTTON SHIPPED ONLY 95 BALES OF THE 4,500 BALES CONTRACTED BY END OF MAY. SRI SUK SAWAD WAS FORCED TO PURCHASE COTTON AT 61 CENTS PER POUND FROM ANOTHER SHIPPER

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TO REPLACE THE COTTON NOT DELIVERED BY PLAINS COTTON. SRI SUK SAWAD STATES THEY HAVE BEEN BLACKLISTED BY PLAINS COTTON AND ARE UNABLE BUY U.S. COTTON. THEY CONTEND THAT IT WAS PLAINS COTTON THAT FAILED TO MEET ITS OBLIGATION, NOT THEIR COMPANY.

7. WE HAVE NOT RECEIVED COTTON SHIPPERS STATISTICS REPORT-EDLY MAILED FEBRUARY 13. ESSENTIAL WE HAVE CURRENT

INFORMATION ON COTTON CONTRACT DELINQUENCIES ASSURE CONTINUED COOPERATION MINISTRY OF COMMERCE.

8. DAVID LYMAN LOCAL ATTORNEY WHO IS NOW REPRESENTING MOST OF THE U.S. COTTON SHIPPERS INFORMS US HE IS NOW PROCEEDING WITH LEGAL ACTION BASED ON LIVERPOOL COTTON ASSOCIATION ARBITRATION AWARDS. HE ASSUMES CASES WILL TAKE SOME TIME IN LOCAL COURTS BUT IS HOPEFUL OF SATISFACTORY EVENTUAL SETTLEMENT BASED ON JUDICIAL PROCESS.

9. EMBASSY RECOMMENDS DEPT. DISCUSS PROBLEM NEW COTTON SALES TO DELINQUENT THAI MILLS WITH COTTON SHIPPERS ASSOCIATION IN ORDER TO CONFIRM THESE TRANSACTIONS ARE IN FACT TAKING PLACE. WE WILL RAISE DESIRABILITY OF LICENSING ARRANGEMENTS WITH NEW MINISTER AFTER FORMAL INSTALLATION OF CABINET.
KINTNER

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